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SUBJECT: GOM PITCHES MCC ON DRAFT MCA COMPACT

REF: RABAT 1070

(U) This cable is sensitive but unclassified. Please protect accordingly.

Summary:

1. (SBU) Summary: On August 15 and 16, Prime Minister Jettou, Foreign Affairs Minister Delegate Fassi Fihri, and more than a dozen other Government of Morocco (GOM) officials gave a first glimpse of Morocco's draft Millennium Challenge Account (MCA) proposal to Millennium Challenge Corporation (MCC) Senior Director for Francophone Africa Michael Grossman. The GOM's ambitious and complex MCA presentation embeds a proposed USD 675 million MCA program in a USD 925 million rural poverty reduction plan and was designed to flow from and be consistent with King Mohammed VI's National Human Development Initiative, launched on May 18 (reftel), and the World Bank's new Country Assistance Strategy. Morocco hopes its MCA program will create 110 thousand new jobs and reduce poverty from 30 to 20 percent in a "corridor of poverty" stretching from the Rif mountains, along the Atlas mountains, toward the desert in the East. Morocco's MCA compact proposal will create revenue-generating activities for vulnerable communities, reduce poverty through "human development" and ensure environmental sustainability. Detailed program plans -- including costs, timelines, impacts, sustainability, baseline data, and monitoring and evaluation mechanisms -- are still needed. While broad consultations have ostensibly taken place at the grass roots level, a national-level effort must be made as the compact development process moves forward. Grossman and GOM officials agreed to a follow-on DVC in early September and an MCC team visit to Morocco in late September. End Summary

A Good Start

2. (SBU) MCC Senior Director for Francophone Africa Michael Grossman's August 15-16 visit to Morocco prompted Moroccan Government (GOM) officials to present a concrete, but preliminary draft proposal for accessing MCA funds. The "draft proposal" was presented to Grossman, DCM and EconCouns on August 15 jointly by a 15 person interagency team. The team, led by the Prime Minister's office, also comprised the Ministries of Agriculture, Finance, Interior, Foreign Affairs, Forestry, Interior, and the agencies responsible for developing Morocco's northern and eastern regions. Dr. Haya Bouhia, the Prime Minister's Harvard-educated economic advisor who previously worked at the World Bank, presented the GOM's vision for using up to USD 675 million in MCA funds to contribute to Morocco's USD 925 million rural development program. The presentation, which thoroughly described the structure and context of the proposed "integrated and comprehensive" development program lacked detail on specific cost figures and did not include identification and description of particular development programs and activities. Grossman commented that the draft proposal was "a good start," but much work remained to be done.

3. (SBU) The GOM's USD 925 million proposed rural development program targets three main areas -- the Rif mountains in the north (USD 270 million), central Morocco's Atlas mountain ridge (USD 250 million), and the trans-Atlas desert region toward the Algerian border (USD 400 million). The proposal will contribute to the new National Initiative for Human Development (INDH), announced by King Mohammed VI on May 18 (reftel). The government's INDH plan, which was presented to the King on August 20 (septel), addresses three main goals in a "participatory approach with integrated and coherent planning" with thorough monitoring and result-orientation. The three INDH goals are: ameliorating the social deficit in impoverished rural and urban areas, creating revenue generating economic activities and employment, and assisting marginalized groups with basic needs. Moroccan officials say the INDH and the component MCA program are completely consistent with the World Bank's new Country Assistance Strategy (CAS) for Morocco. In addition to improving general governance, the CAS aims to

accelerate job creation and reduce poverty through four initiatives: improving competitiveness and the investment climate, increasing access to basic services, improving the education system, and expanding access to water and sanitation.

14. (SBU) Moroccan officials explained that the MCA-funded component on the nation-wide INDH endeavor is an "integrated rural development program" targeting Morocco's poorest provinces. Morocco's MCA compact proposal, they argue, will create revenue generating activities for vulnerable communities, reduce poverty through "human development" and ensure environmental sustainability. The ambitious goal is to reduce poverty in the three areas -- dubbed the "corridor of poverty" -- from 30 percent to 20 percent by 2010 (consistent with the UN Millennium Development Goals) and to create 110 thousand new jobs. Twenty-five percent of Moroccans (about 7.3 million) live in the "corridor of poverty," accounting for 43 percent of the rural poor. The GOM specifically proposed access to basic social services and infrastructure, development of revenue-generating activities and employment, capacity building and access to finance, and natural resource protection and environmental sustainability as the four components of the compact, however, did not expound upon specific development activities or tools that might shed important light on the costs associated, anticipated impact, ability to monitor and evaluate, and feasibility. The Moroccans explained that in addition to the largest piece, the USD 200 million human development component (assumed to be vocational training, technical assistance, and education), Morocco's USD 675 million MCA proposal would include, inter alia, tree-planting (USD 150 million), irrigation (USD 30 million) livestock production (USD 15 million), rural tourism (USD 75 million) and sanitation (USD 100 million)

Jettou: Programs are "Ripe" for Implementation

15. (SBU) Subsequent to the presentation, Grossman, the Ambassador and EconCouns met with Prime Minister Driss Jettou. Jettou, joined by Minister-Delegate for Economic Affairs Talbi, the Primature Secretary General and Bouhia, was remarkably well briefed on the details of the Moroccan MCA compact presentation. The Prime Minister reviewed GOM efforts to bolster education, provide health care coverage, housing, and to invest in water, electricity, and transportation infrastructure, especially in remote regions. Jettou explained that MCA would contribute to Morocco's endeavors in the "corridor of poverty" to add actions and activities that would "solve the social deficit." He reiterated that Morocco's overall MCA vision -- helping Morocco attain its development goals -- is drawn from King Mohammed VI's May 18 human development speech (reftel). Grossman gave a quick overview of MCC structure and function and reiterated the need for a single GOM MCA contact person. Jettou noted that a person of stature (later revealed to be former Casablanca Wali and current Chief of the Agence du Nord Driss Benhima) had been identified to lead implementation of the five year MCA compact. The Prime Minister promised to provide Grossman the names of a small steering group for compact negotiations. Grossman noted that the next stage -- identification and refinement of specific project details -- was likely to be challenging. He also noted that the Moroccan presentation implied a complex and complicated plan that may take much effort to coordinate and manage. Jettou responded that the programs that make up the plan are "well known proposals" that are well-organized and "ripe" for implementation. These proposals -- on water, trees, palmeries, livestock, and rural tourism -- fit into a larger national strategy, support FTA implementation, and address poverty. "We are ready," he said, "we are just waiting for the financing."

16. (SBU) Grossman's August 16 meeting with Foreign Affairs Minister-Delegate Taib Fassi Fihri was friendly and relatively informal. Fassi Fihri -- joined by Reda Oudghiri, advisor to MFA Bilateral Affairs Director Amrani -- apologized for the GOM delay in completing an MCA presentation, but noted the importance of coordinating MCA ideas with the King's INDH vision that would "crown" all efforts. Fassi Fihri told Grossman, DCM, and EconCouns that MCA would enable Morocco to accelerate the rhythm of the INDH plan while encouraging transparency, inclusion, and consultation. He reiterated the dire need in the "corridor of poverty" stretching from the Rif to the Oasis region, and repeated the GOM mantra that MCA's contribution would be to create revenue-enhancing activities to alleviate poverty. Grossman said that any reaction to the very complex Moroccan draft proposal would be premature, but that he believe it was good start. Grossman asked Fassi Fihri for a GOM point of contact. The Minister-Delegate responded that MFA "generalists" coordinate the government-wide MCA effort, but a small GOM MCA team including Bouhia, Oudghiri, and Ministry of Finance officials would be named very soon. "The Prime Minister is the final arbiter, of course," Fassi

Fihri noted. Grossman noted that signing an MCA compact is just one step in a long process, a process in which much of the work is Morocco's to do. They concluded the meeting by agreeing on next steps (see para. 9. below).

Consultative Process

17. (U) When Grossman and emboffs raised MCA's required "consultative process," GOM officials, including PM Jettou and Foreign Affairs Minister-Delegate Fassi Fihri noted that the "bottom-up" proposals that make up the coherent MCA strategy were developed in cooperation with grass roots stakeholders by "associative" and representative institutions. Furthermore, they noted, the INDH and the World Bank's CAS (upon which the MCA proposal is ultimately based) resulted from open consultative processes. Nonetheless, GOM officials agreed that when the compact proposal was complete, a formal consultative process (e.g. seminars, workshops, or informal hearings) that included civil society and private sector would take place before compact negotiations begin in earnest.

18. (SBU) Subsequent to the formal meetings, Grossman spent several hours consulting with Bouhia to clarify MCC expectations and timelines and to explain MCA processes. Most importantly, the GOM will need to provide details of specific programs or projects that will e.g. "create revenue-generating activities" or "protect the environment." The GOM needs to provide the "what, when, where, why, how, by whom and how much." The GOM will need to provide a more detailed presentation of the expected impact on economic growth of the proposed MCA program. In addition, the GOM will need to analyze and recommend potential changes in the institutional or policy environment that will optimize the returns on MCA-financed investments. Bouhia emerged from these meetings enthusiastic about the ultimate prospects and mobilized to "roll up her sleeves," but a little daunted by the sheer amount of work to be done.

Next Steps

19. (SBU) Having agreed that Morocco's visions and ideas are an appropriate point of departure for more detailed and technical discussions, Grossman and GOM officials agreed to meet by video conference during the second week of September. An MCC team will return to Morocco in late September to assist the Moroccans with drafting a proposed compact that lays out specific details of projects' cost, impact, feasibility, etc. While the GOM did not, as requested identify a single working level MCA point of contact, the GOM committed to provide by late August the name of a small steering group (most likely three to four people drawn from the PM's office, MFA and Finance Ministry) that would act as primary MCC interlocutor.

Comment

110. (SBU) Comment: Jettou, Fassi Fihri and other GOM officials are well-briefed and delivered the exact same talking points. Morocco's MCA presentation is an ambitious and complex undertaking and at USD 675 million potentially the largest MCA compact to date. The GOM has succeeded in embedding its MCA ideas in the broader national human development initiative (INDH) and in its comprehensive plan to reduce rural poverty. The Moroccans have at least considered the consultative processes which may have occurred and those that will be necessary. Missing are detailed plans - including costs, timelines, impacts, sustainability, baseline data, and monitoring and evaluation mechanisms - for the programs under the GOM's proposed MCA structure. While the GOM refuses to name "the" MCA contact, the small steering group Jettou and Fassi Fihri promised to establish will help facilitate information flow and coordination.

111. (U) MCC's Michael Grossman cleared this cable.

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